

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

Current report filing

Filing Date: **1999-03-26** | Period of Report: **1999-03-26**
SEC Accession No. **0000950128-99-000618**

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FILER

PATRIOT AMERICAN HOSPITALITY INC/DE

CIK: **16343** | IRS No.: **940358820** | State of Incorporation: **DE** | Fiscal Year End: **1231**
Type: **8-K** | Act: **34** | File No.: **001-09319** | Film No.: **99574628**
SIC: **6500** Real estate

Mailing Address
1950 STEMMONS FRWY
STE 6001
DALLAS TX 75207

Business Address
1950 STEMMONS FRWY
STE 6001
DALLAS TX 75207
2148631000

WYNDHAM INTERNATIONAL INC

CIK: **715273** | IRS No.: **942878485** | State of Incorporation: **DE** | Fiscal Year End: **1231**
Type: **8-K** | Act: **34** | File No.: **001-09320** | Film No.: **99574629**
SIC: **7948** Racing, including track operation

Mailing Address
1950 STEMMONS FRWY
STE 6001
DALLAS TX 75207

Business Address
1950 STEMMONS FRWY
STE 6001
DALLAS TX 75207
2148631000

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): March 26, 1999

<TABLE>	<S>	<C>
	Commission File Number 1-9319	Commission File Number 1-9320
	PATRIOT AMERICAN HOSPITALITY, INC.	WYNDHAM INTERNATIONAL, INC.
	----- (Exact Name of Registrant as Specified in its Charter)	----- (Exact Name of Registrant as Specified in its Charter)
	DELAWARE	DELAWARE
	----- (State or Other Jurisdiction of Incorporation of Organization)	----- (State or Other Jurisdiction of Incorporation of Organization)
	94-0358820	94-2878485
	----- (I.R.S. Employer Identification No.)	----- (I.R.S. Employer Identification No.)
	1950 Stemmons Freeway, Suite 6001 Dallas, Texas 75207	1950 Stemmons Freeway, Suite 6001 Dallas, Texas 75207
	----- (Address of Principal Executive Offices) (Zip Code)	----- (Address of Principal Executive Offices) (Zip Code)
	(214) 863-1000	(214) 863-1000
	----- (Registrant's telephone number, including area code)	----- (Registrant's telephone number, including area code)
</TABLE>		

JAMES D. CARREKER
Chief Executive Officer
Patriot American Hospitality, Inc.
Wyndham International, Inc.

copies to:

GILBERT G. MENNA, P.C.
KATHRYN I. MURTAGH, ESQ.
Goodwin, Procter & Hoar LLP
Exchange Place
Boston, Massachusetts 02109-2881
(617) 570-1000

REASONS FOR THE SPIN-OFF

Before Patriot American Hospitality, Inc. and Wyndham International, Inc. (Patriot/Wyndham combined and separately Patriot and Wyndham) agreed to acquire Interstate Hotels Company (IHC) in December 1997, Patriot/Wyndham negotiated a non-binding letter of intent with Marriott International, Inc. (Marriott) to address Marriott's concerns regarding the acquisition of IHC, their largest franchisee, by a competitor, Patriot/Wyndham. Despite lengthy and intensive negotiations, Patriot/ Wyndham and Marriott were unable to reach a definitive agreement prior to the planned closing of the IHC merger and Marriott filed suit in March 1998 seeking to block the merger. Patriot/Wyndham, IHC and Marriott reached a settlement on May 27, 1998 which allowed the IHC merger to close on June 2, 1998. A major component of the settlement agreement was the transfer of certain operations, principally IHC's third-party hotel management business, to a newly created subsidiary of Patriot/Wyndham, Interstate Hotels Management, Inc. (Interstate Management), and the subsequent spin-off of Interstate Management from Patriot/Wyndham.

THE SPIN-OFF

When the spin-off is consummated, Patriot/Wyndham will distribute to their shareholders one Interstate Management share for every 19.57 Patriot/Wyndham securities owned on the record date for the spin-off. At the time of the spin-off, Marriott will also purchase four percent of the outstanding Interstate Management shares for approximately \$2.3 million. We expect the spin-off to occur in April, 1999.

OWNERSHIP OF INTERSTATE MANAGEMENT FOLLOWING THE SPIN-OFF

At the time of the spin-off, Marriott will purchase four percent of Interstate Management outstanding shares for approximately \$2.3 million. Following the spin-off, in order to reduce the percentage of Interstate Management shares owned by affiliates of Patriot/Wyndham, Interstate Management will redeem the 248,385 Interstate Management shares which are to be distributed in the spin-off to the holders of Series A Preferred Stock of Patriot/Wyndham. Following the spin-off and these transactions, holders of Patriot/Wyndham securities will own 92% of Interstate Management shares, Marriott will own four percent of Interstate Management shares and Patriot/Wyndham will own four percent of Interstate Management shares. This ownership structure was a negotiated part of the settlement agreement reached with Marriott and will allow each of Patriot/Wyndham and Marriott to maintain an equal interest in Interstate Management. This structure, in addition to certain rights to elect directors held by Wyndham and Marriott, will allow both Patriot/Wyndham and Marriott to have an influence on the management of Interstate Management affairs.

OUR CORPORATE STRUCTURE

After the spin-off, Interstate Management will initially have two principal subsidiaries, Interstate Hotels, LLC and IHC II, LLC. Interstate Management will own a 45% managing member interest in Interstate Hotels, LLC and a 99.99% interest in IHC II, LLC. Patriot will retain a 55% non-controlling ownership interest in Interstate Hotels, LLC and Marriott will own the remaining .01% interest in IHC II, LLC. Interstate Hotels, LLC is the entity that will operate the third-party hotel management business that Patriot/Wyndham acquired from IHC, as well as own equity interests representing in the aggregate an approximate 50.3% interest in The Charles Hotel Complex, a hotel, retail and office complex located in Cambridge, Massachusetts. IHC II, LLC will enter into arrangements under which Marriott will submanage eleven Marriott hotels acquired by Patriot/Wyndham from IHC. IHC II, LLC is not expected to make a profit on these arrangements, but rather will serve to insulate Patriot/Wyndham and Marriott from having a direct operational relationship with each other.

Included here in the printed version of this Form 8-K are two graphics which depict, using boxes to represent entities and arrows to represent ownership interests, the ownership structure of Interstate Management immediately prior to and immediately following the spin-off.

The first graphic, which depicts the ownership structure of Interstate

Management immediately prior to the spin-off, shows that:

- o Patriot will own 99% of Interstate Management and PAH-Interstate Holdings, Inc., a subsidiary owned 99% by Patriot and 1% by Wyndham Operating Partnership (itself a subsidiary of which Wyndham owns at least 85%), will own 1% of Interstate Management.
- o Interstate Management will own 100% of IHC II, LLC.
- o Interstate Management will own 45% of Interstate Hotels, LLC and PAH-Interstate Holdings, Inc. will own 55% of Interstate Hotels, LLC;
- o Interstate Hotels, LLC will own 99% of both Crossroads Hospitality Company, L.L.C. and Hilltop Equipment Leasing Company, L.P., and PAH-Interstate Member, Inc., a wholly-owned subsidiary of Interstate Hotels, LLC, will own 1% of both Crossroads Hospitality Company, L.L.C. and Hilltop Equipment Leasing Company, L.P.;
- o Interstate Hotels, LLC will own 100% of Colony Hotels and Resorts, Company, Northridge Insurance Company, Continental Design & Supplies Company, L.L.C., and several entities owning interests in leaseholds; and
- o Interstate Hotels, LLC will own 50.3% in the aggregate of several entities owning equity interests in The Charles Hotel Complex.

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The second graphic, which depicts the ownership structure of Interstate Management immediately following the spin-off, shows that:

- o Marriott will own 4% of Interstate Management, the holders of Patriot/Wyndham securities will own 92% of Interstate Management, Wyndham will own three percent of Interstate Management and PAH-Interstate Holdings, Inc., a subsidiary owned 99% by Patriot and 1% by Wyndham Operating Partnership (itself a subsidiary of which Wyndham owns at least 85%), will own 1% of Interstate Management;
- o Interstate Management will own 99.99% of IHC II, LLC and Marriott will own .01% of IHC II, LLC;
- o Interstate Management will own 45% of Interstate Hotels, LLC and PAH-Interstate Holdings, Inc. will own 55% of Interstate Hotels, LLC;
- o Interstate Hotels, LLC will own 99% of both Crossroads Hospitality Company, L.L.C. and Hilltop Equipment Leasing Company, L.P., and PAH-Interstate Member, Inc., a wholly-owned subsidiary of Interstate Hotels, LLC, will own 1% of both Crossroads Hospitality Company, L.L.C. and Hilltop Equipment Leasing Company, L.P.;
- o Interstate Hotels, LLC will own 100% of Colony Hotels and Resorts, Company, Northridge Insurance Company, Continental Design & Supplies Company, L.L.C., and several entities owning interests in leaseholds; and
- o Interstate Hotels, LLC will own 50.3% in the aggregate of several entities owning equity interests in The Charles Hotel Complex.

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Item 7. Financial Statements and Exhibits.

(a) Financial Statements

None.

(b) Pro Forma Financial Information

The separate and combined pro forma financial information for Interstate Hotels Management, Inc. is included on pages F-1--F-7 of this report.

(c) Exhibits

None.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be filed on its behalf by the undersigned thereunto duly authorized.

PATRIOT AMERICAN HOSPITALITY, INC.

Dated: March 26, 1999

By: /s/ Lawrence S. Jones

Name: Lawrence S. Jones
Title: Executive Vice President and Treasurer

WYNDHAM INTERNATIONAL, INC.

By: /s/ Lawrence S. Jones

Name: Lawrence S. Jones
Title: Executive Vice President and Treasurer

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Pro Forma Financial Information.

The following unaudited pro forma financial information of Interstate Management assumes that Patriot/Wyndham has separated the third-party hotel management business they acquired through the merger of IHC into Patriot to create Interstate Management. The Unaudited Pro Forma Combined Balance Sheet as of December 31, 1998, is presented as if this spin-off had occurred on that date. The Unaudited Pro Forma Combined Statement of Operations for the year ended December 31, 1998 is presented as if the spin-off had occurred on January 1, 1998. The adjustments required to reflect the spin-off and related transactions are discussed in the accompanying notes. In management's opinion, all material adjustments necessary to reflect the effect of these transactions have been made.

The historical combined financial statements of Interstate Management have been carved out of IHC and Patriot/Wyndham and principally include those historical assets, liabilities, revenues and expenses directly attributable to the third-party hotel management business of IHC that will succeed to Interstate Management. The unaudited pro forma financial data is presented for informational purposes only and may not reflect the future results of operations and financial position, or be necessarily indicative of what the actual results of operations and financial position of Interstate Management would have been had the spin-off occurred as of the dates indicated.

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INTERSTATE HOTELS MANAGEMENT, INC.

UNAUDITED PRO FORMA COMBINED BALANCE SHEET
DECEMBER 31, 1998
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

<TABLE>
<CAPTION>

<S>

	HISTORICAL (A)	PRO FORMA ADJUSTMENTS	PRO FORMA
	-----	-----	-----
	<C>	<C>	<C>

ASSETS

Current assets:

Cash and cash equivalents.....	\$ 1,652	\$ 28,290 (B)	\$ 29,942
Accounts receivable, net.....	16,816	--	16,816
Deferred income taxes.....	615	--	615
Net investment in direct financing leases.....	827	--	827
Prepaid expenses and other assets.....	741	--	741
Related party receivables -- management contracts.....	1,085	(1,085) (C)	--
	-----	-----	-----
Total current assets.....	21,736	27,205	48,941
Restricted cash.....	2,201	--	2,201
Marketable securities.....	2,609	--	2,609
Property and equipment, net.....	4,076	--	4,076
Officers and employees notes receivable.....	2,803	--	2,803
Affiliate receivables.....	3,381	--	3,381
Net investment in direct financing leases.....	1,680	--	1,680
Investment in hotel real estate.....	22,150	--	22,150
Intangibles and other assets.....	100,521	--	100,521
	-----	-----	-----
Total assets.....	\$161,157	\$ 27,205	\$188,362
	=====	=====	=====

LIABILITIES AND OWNERS' EQUITY

Current liabilities:

Accounts payable -- trade.....	2,413	--	2,413
Accounts payable -- health trust.....	1,785	--	1,785
Accounts payable -- related parties.....	18,597	(18,597) (B)	--
Accrued payroll and related benefits.....	6,120	--	6,120
Accrued rent.....	5,043	--	5,043
Accrued merger costs.....	9,344	--	9,344
Other accrued liabilities.....	9,236	--	9,236
	-----	-----	-----
Total current liabilities.....	52,538	(18,597)	33,941
Deferred income taxes.....	11,053	--	11,053
Deferred compensation.....	2,609	--	2,609
	-----	-----	-----
Total liabilities.....	66,200	(18,597)	47,603
	-----	-----	-----
Minority interest.....	2,350	67,875 (D)	70,225
Commitments and contingencies.....	--	--	--
Owners' equity:			
Common stock, \$0.01 par value.....	--	100 (E)	100
Paid-in capital.....	--	70,434 (E)	70,434
Owners' equity.....	92,607	(92,607) (E)	--
	-----	-----	-----
Total owners' equity.....	92,607	(22,073)	70,534
	-----	-----	-----
Total liabilities and owners' equity.....	\$161,157	\$ 27,205	\$188,362
	=====	=====	=====

</TABLE>

The accompanying notes are an integral part of this Pro Forma Combined Balance Sheet.

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INTERSTATE HOTELS MANAGEMENT, INC.

UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1998
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

<TABLE>
<CAPTION>

	PERIOD FROM		COMBINED YEAR ENDED DECEMBER 31, 1998	PRO FORMA ADJUSTMENTS	PRO FORMA YEAR ENDED DECEMBER 31, 1998
	JAN. 1, 1998 TO JUNE 1, 1998 (A)	JUNE 2, 1998 TO DEC. 31, 1998 (A)			
<S>	<C>	<C>	<C>	<C>	<C>
Lodging revenues:					
Rooms.....	\$ 74,265	\$108,698	\$182,963	--	\$182,963
Other departmental.....	4,504	6,455	10,959	--	10,959
Net management fees.....	18,018	22,763	40,781	\$(10,794) (B)	29,987

Other fees.....	9,976	10,478	20,454	(3,725) (C)	16,729
	-----	-----	-----	-----	-----
	106,763	148,394	255,157	(14,519)	240,638
Lodging expenses:					
Rooms.....	17,173	26,567	43,740	--	43,740
Other departmental.....	2,674	3,962	6,636	--	6,636
Property costs.....	19,987	30,261	50,248	--	50,248
General and administrative.....	6,115	5,822	11,937	500 (D)	12,437
Payroll and related benefits.....	10,982	10,439	21,421	(3,971) (E)	17,450
Lease expense.....	34,515	51,165	85,680	--	85,680
Depreciation and amortization.....	2,152	10,659	12,811	5,373 (F)	18,184
	-----	-----	-----	-----	-----
Operating income.....	13,165	9,519	22,684	(16,421)	6,263
Other income:					
Interest, net.....	204	390	594	--	594
Other, net.....	474	1,391	1,865	286 (G)	2,151
	-----	-----	-----	-----	-----
Income before income tax expense.....	13,843	11,300	25,143	(16,135)	9,008
Income tax expense.....	5,528	4,436	9,964	(8,400) (H)	1,564
	-----	-----	-----	-----	-----
Income before minority interest.....	8,315	6,864	15,179	(7,735)	7,444
Minority interest.....	24	209	233	4,865 (I)	5,098
	-----	-----	-----	-----	-----
Net income.....	\$ 8,291	\$ 6,655	\$ 14,946	\$ (12,600)	\$ 2,346
	=====	=====	=====	=====	=====
Basic net income per common share.....					\$ 0.23 (J)
					=====
Diluted net income per common share.....					\$ 0.23 (J)
					=====

</TABLE>

The accompanying notes are an integral part of this Pro Forma Combined Statement of Operations.

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INTERSTATE HOTELS MANAGEMENT, INC.

NOTES TO UNAUDITED PRO FORMA FINANCIAL DATA
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

NOTE 1 -- PRO FORMA BALANCE SHEET ADJUSTMENTS:

(A) Reflects the historical combined balance sheet of Interstate Management as of December 31, 1998. The historical balance sheet reflects the historical carrying amounts recorded on the books of Patriot.

(B) Adjustments to reflect the net increase in cash and cash equivalents as follows:

<TABLE>	
<S>	<C>
Cash contribution from Patriot to Interstate Hotels, LLC to fund working capital.....	\$ 31,887
Repayment of amounts owed to Wyndham to meet Interstate Management's short-term cash requirements.....	(18,597)
Cash proceeds of Marriott's purchase of a 4% ownership interest in Interstate Management.....	2,314
Cash contribution from Patriot to Interstate Management to provide \$15.0 million of working capital at the spin-off date.....	12,686

	\$ 28,290
	=====

</TABLE>

- (C) Represents adjustments to eliminate management fees and other fee income receivables related to management contracts for the hotels formerly owned by IHC. Interstate Management will not hold the management contracts for these hotels subsequent to the spin-off.
- (D) Represents Patriot's 55% non-controlling ownership interest in Interstate Hotels, LLC, based on 55% of the historical recorded carrying amount of Interstate Management on the books of Patriot. Subsequent to the spin-off, Interstate Management will have two principal subsidiaries. Interstate Hotels, LLC, the successor to the third-party hotel management business conducted by IHC prior to its merger into Patriot, will own substantially all of the assets of Interstate Management immediately after the spin-off. Interstate Management will own a 45% managing member interest in Interstate Hotels, LLC, and therefore will control Interstate Hotels, LLC. Interstate Management's second subsidiary, IHC II, LLC, will contract with Wyndham to manage ten Marriott franchise hotels that were owned and managed by IHC, and one hotel that was owned by IHC and managed by Marriott, prior to the merger with Patriot. Marriott will submanage these hotels for IHC II, LLC.

<TABLE>	
<S>	<C>
Historical book value of owners' equity.....	\$ 92,607
Adjustment to eliminate management fees and other fee income receivable related to management contracts formerly owned by IHC that will not be held by Interstate Hotels, LLC, (as discussed in Note (C) above).....	(1,085)
Funding of working capital by Patriot.....	31,887

	123,409
Minority interest ownership percentage.....	55%

Minority interest.....	\$ 67,875
	=====
</TABLE>	

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INTERSTATE HOTELS MANAGEMENT, INC.

NOTES TO UNAUDITED PRO FORMA FINANCIAL DATA--(CONTINUED)

NOTE 1 -- PRO FORMA BALANCE SHEET ADJUSTMENTS--(CONTINUED)

- (E) Represents adjustments to reflect the issuance of shares of common stock, par value \$0.01, of Interstate Management in connection with the spin-off as follows:

<TABLE>				
<CAPTION>				
	NUMBER OF	COMMON	PAID-IN	OWNERS'
	SHARES	STOCK	CAPITAL	EQUITY
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Shares distributed to Patriot's shareholders...	9,221,743	\$ 92	\$ 65,286	\$ --
Shares retained by Patriot.....	390,146	4	2,838	--
Shares purchased by Marriott.....	390,146	4	2,310	--
Eliminate historical owners' equity.....	--	--	--	(92,607)
	-----	-----	-----	-----
Total.....	10,002,035	\$100	\$ 70,434	\$ (92,607)
	=====	=====	=====	=====
</TABLE>				

In connection with the merger of IHC into Patriot, certain operations, principally, the third-party hotel management business, along with certain assets and liabilities will be transferred to Interstate Management. Ninety-two percent of the shares of Interstate Management will be distributed to Patriot's shareholders. Patriot will retain a 4% ownership interest in Interstate Management's common stock after the redemption discussed in Note 2.

In connection with the spin-off of Interstate Management from Patriot, Marriott will purchase a 4% ownership interest in Interstate Management's common stock, after the redemption discussed in Note 2, for \$2,314 in cash.

NOTE 2 -- STOCK REDEMPTION:

Following the spin-off, Interstate Management will redeem the 248,385 Interstate Management shares which are to be distributed in the spin-off to the holders of Series A Preferred Stock of Patriot. The purchase price for the shares to be redeemed will be the average trading price of Interstate Management shares over their first five trading days. Since this transaction will occur subsequent to the spin-off, it has been excluded from the Unaudited Pro Forma Combined Balance Sheet. If this transaction had been included in the Unaudited Pro Forma Combined Balance Sheet, assuming a \$5.23 per share redemption price, the effect would have been to decrease the pro forma amounts to the following balances:

<TABLE>	
<S>	<C>
Cash.....	\$17,283
Total current assets.....	47,642
Total assets.....	187,063
Paid-in capital.....	69,135
Total owners' equity.....	69,235
Total liabilities and owners' equity.....	187,063
</TABLE>	

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INTERSTATE HOTELS MANAGEMENT, INC.

NOTES TO UNAUDITED PRO FORMA FINANCIAL DATA--(CONTINUED)

NOTE 3 -- PRO FORMA STATEMENTS OF OPERATIONS ADJUSTMENTS:

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31, 1998 -----
<S>	<C>
(A) Reflects the historical combined statements of operations of Interstate Management for the indicated period.	
(B) Adjustments to reflect the net decrease in net management fees: The elimination of management fee revenues related to ten Patriot-owned hotels that will be submanaged by Marriott pursuant to an arrangement with IHC II, LLC, to ten hotels that will be leased to Wyndham, converted to the Wyndham brand and managed by Wyndham, and to other hotels that will be leased by Patriot to Wyndham and will be managed by Wyndham. Prior to the merger of IHC into Patriot, these hotels were owned and managed by subsidiaries of IHC.....	\$(13,116)
The addition of management fee revenues related to seven Patriot-owned hotels that will be managed by Interstate Management.....	2,322

	\$(10,794)
	=====
(C) Adjustments to reflect the net decrease in other fees: The elimination of fees for insurance services, purchasing, leasing and other ancillary services that Interstate Management provided to the hotels that were owned and managed by subsidiaries of IHC and are currently owned by Patriot, as discussed in Note (B) above. Interstate Management will not provide such services to these hotels subsequent to the spin-off....	\$ (4,610)
The addition of fees for insurance services, purchasing, leasing and other ancillary services that Interstate Management will provide to seven Patriot-owned hotels, as discussed in Note (B) above.....	885

	\$ (3,725)
	=====
(D) Adjustment to general and administrative expense to reflect costs related to managing and administering a publicly held company.....	\$ 500

(E) Adjustment to payroll and related benefits expense to reflect the elimination of salaries and related benefits of employees who were terminated subsequent to the merger of IHC into Patriot and whose positions have been eliminated. The reduction in employees relates principally to the reduction in the size of Interstate Management subsequent to the merger.....	\$ (3,971)
(F) Adjustments to depreciation and amortization to reflect the net increase in amortization of management and lease contract costs associated with the step-up in basis arising from the allocation of purchase price resulting from the merger of IHC into Patriot. The management and lease contract costs have been stated at their estimated fair market values and are being amortized using the straight-line method over five years for the management contracts and 11 and 13.5 years for the lease contracts. The management contracts' amortization period was determined using the average remaining life of the original contract terms, and the amortization period of the lease contracts is based on the remaining original lease life.....	\$ 5,373

</TABLE>

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INTERSTATE HOTELS MANAGEMENT, INC.

NOTES TO UNAUDITED PRO FORMA FINANCIAL DATA--(CONTINUED)

NOTE 3 -- PRO FORMA STATEMENTS OF OPERATIONS ADJUSTMENTS--(CONTINUED)

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31, 1998

<S>	<C>
(G) Adjustment to other income to reflect the addition of equity in earnings for The Charles Hotel Complex for the period prior to Interstate Management's acquisition of additional interests in 1998 in The Charles Hotel Complex.....	\$ 286
(H) Adjustment reflects the provision for income tax expense based on Interstate Management's estimated effective income tax rate of 40% after reduction of minority interests.....	\$ (8,400)
(I) Adjustment to minority interest to reflect Patriot's 55% non-controlling interest in Interstate Hotels, LLC.....	\$ 4,865
(J) Pro forma basic and diluted net income per common share has been calculated using 10,002,035 shares of Common Stock. The historical combined financial statements of Interstate Management have been carved out of IHC and Patriot, and principally include those historical assets, liabilities, revenues and expenses directly attributable to the third-party hotel management business to be conducted by Interstate Management. Historical earnings per share information for the carved out company has not been presented because management believes it is not meaningful.	

</TABLE>

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